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July 6, 1992

Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC Docket No. 92-77

In regard to the above referenced matter, enclosed please find an original and five copies of Comments of Operator Service Company on Billed Party Preference.

If you should have any questions, please do not hesitate to contact me.

Sincerely,

Stacy Shivers

Stacy D. Shivers
Regulatory Compliance Administrator

Enclosures

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Federal Communications Commission
Office of the Secretary

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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JUL 8 1992

FCC MAIL BRANCH

IN THE MATTER OF	§	
	§	
BILLED PARTY PREFERENCE	§	CC Docket No. 92-77
FOR 0+ INTERLATA CALLS	§	

COMMENTS OF OPERATOR SERVICE COMPANY ON BILLED PARTY PREFERENCE

Operator Service Company ("OSC") is a provider of operator assisted telecommunications service located in Lubbock, Texas. OSC was founded in 1987 and now employs 167 individuals; by year end 1992 the company anticipates that an additional 83 employees will be hired. OSC's services allow callers to make collect, person-to-person, third party billed, calling card and credit card calls. Implementation of Billed Party Preference will severely damage OSC, its employees, the competitive nature of the market, and ultimately, consumers of telecommunication services.

Billed Party Preference will Drive OSC out of Business

Implementation of Billed Party Preference will eliminate the market in which OSC and other telecommunications providers operate. The fundamental nature of Billed Party Preference will ensure that only those operator service providers with a large "1+" presubscribed customer base will remain in business. Billed Party Preference will serve to consolidate the positions of the "big three" - AT&T, MCI and Sprint, contrary to the Commission's policy of encouraging competition in the market. The result of Billed Party Preference will be to decrease competition and the competitive pressures that have encouraged innovation and efficiency.

Abolishing competitive operator service providers also means the loss of jobs. The estimated 250 jobs created by OSC by year end 1992 will be eliminated. Further, the jobs indirectly created and supported by operator services companies (telecommunications manufacturers, equipment maintenance contractors, computer and billing services, etc.) will be eliminated.

Increased Cost of Service

Billed Party Preference will increase the cost of providing operator assisted services. Processing of calls through the LIDB data base will add both LIDB query charges as well as data transport charges to all calls. Costs will also be increased by creating inefficiencies in call processing. For example, collect and third party billed calls will require two operators to complete each call. This applies even to calls made by a user on his or her presubscribed line by dialing "00" specifically to reach his or her long distance carrier. And as call processing time increases, telecommunications networks will have to be designed to handle increased traffic load - even though the number of calls processed is not increased.

In addition, costs will be incurred for which there will be no directly billable party (i.e. in cases where a LIBD query indicates a chosen carrier which does not provide originating access from the caller's location.) While the exact costs of implementing and maintaining Billed Party Preference are unknown, it is known that the system will impose additional costs that are outside of operator service providers' control. Regardless of which party initially bears the immediate costs of Billed Party Preference, these increased costs will eventually be passed through to consumers.

These increased costs are significant. AT&T alone estimates that the costs of implementing Billed Party Preference will exceed $500 million.[1] On top of AT&T's costs are the costs incurred by other interexchange carriers and each local exchange carrier. The "benefit" of this costly system - the convenience of not dialing an access code - will only affect the small percentage of individuals calling from aggregator locations not prescribed to the caller's chosen carrier. Since AT&T has the most presubscribed lines and will be the "0" dialed carrier of choice for a majority of callers

[1]AT&T's Reply Comments in FCC RM-6113 filed October 23, 1987.

(as demonstrated from historical equal access preferences), the "benefit" of Billed Party Preference will affect only a small percentage of calls. Thus, the exorbitant costs of Billed Party Preference will be borne by all telecommunications users to the benefit of a very small percentage of callers.

Consumers' Choice is Already Ensured Under Current Rules

Under the FCC's rules in effect today, consumers already have the opportunity to choose their telecommunications carrier and are given the information necessary to make an informed decision. The FCC's requirements for branding, providing rate information upon request, posting of notice information, and prohibiting the blocking of calls to other carriers ensure consumer choice. In other words, if Billed Party Preference is imposed, consumers will be forced to pay more for telecommunications services to that they can do what they are already able to do - choose their telecommunications carrier. OSC is in full compliance with the Commission rules; consumers using OSC's services choose to use our services because it is convenient for them at that time and place. If implemented, Billed Party Preference offers no additional benefit to consumers than what is already available today.

The Competitive Operator Services Market Benefits Consumers

The competitive operator services market benefits not only the players in the market and their employees, but also the consumers. Consumers have benefited from innovations spawned from operator services competition such as payphone message forwarding services, debit cards, automated call handling, multi-lingual operators, improved emergency call handling, and voice recognition technology. Competitive operator services has also increased the availability of pay telephones, and hotel-motel, hospital and institutional telephones.

Not only will Billed Party Preference reduce the number of interLATA operator service providers to that of an oligopoly, but it will also result in monopolization of the intraLATA market by local exchange carriers. While no state has yet implemented presubscription for intraLATA traffic, thirty-nine (39) states permit intraLATA competitor for operator assisted calls. Institution of Billed Party Preference would take the intraLATA traffic carried by interexchange carriers today and send all intraLATA calls to a local exchange company. This is a major reversal of the Commission's policy encouraging telecommunications competition.

Billed Party Preference Ignores the Rights of Aggregators

Pay telephone providers, small businesses, hotel and motel owners, hospitals and universities provide a valuable service by making telecommunications equipment available to the public. These businesses are compensated for the use of their equipment through the payment of commissions by the operator service company serving the location. If Billed Party Preference is imposed at these locations, competitive operator service providers will be eliminated as operator service calls are routed to the same carriers as those chosen for 1+ service[1]. The net effect is that nearly all operator assisted traffic will go AT&T, MCI, Sprint who have the majority of the 1+ market.

Without competitive operator service providers, telecommunications commissions paid to businesses will be eliminated. The result is that businesses serving the transient public will have reduced financial ability to pay for quality telecommunications equipment and little incentive to install, upgrade or improve existing equipment. Consumers will be negatively impacted by the reduced availability[2] of telephones at public locations. Billed Party Preference puts not only the jobs of OSC's employees in jeopardy, but also the jobs created from increased demand for and services of telecommunications equipment.

[1]The idea that consumers would choose an operator service provider different than their presubscribed 1+ carrier is absurd. Consumers look for simplicity in their telecommunications services and prefer fewer, rather than more, bills. OSPs do not have the financial means or the originating network facilities in place to successfully sell their services against the marketing machines of AT&T, MCI and Sprint.

[2]And reduced quality of service since there is little business incentive to keep public use telephones operating properly.

The economic benefits to small businesses for the provision of pay telephone service from their premises are significant. OSC alone pays over $700,000.00 annually in commissions to small businesses served by local exchange company payphones in a five state area. On top of this, OSC pays over $1.8 million annually in commissions to other businesses for providing access to its telecommunications network. OSC's commission payments represent only small fraction of the revenues that will be lost to small business. In fact, the only revenue opportunity created by Billed Party Preference belongs to the local exchange carriers for their part in handling all "0" dialed calls.

The Potential Implementation of Billed Party Preference has Already Created Economic Turmoil

The Commission's tentative conclusion that Billed Party Preference is in the public interest comes at a time when companies and individuals can least afford it - at a time of economic uncertainty. The Commission's Notice of Proposed Rulemaking in this docket has already created impediments for small businesses. Due to the uncertain viability of the operator services market caused by CIID cards and the potential implementation of Billed Party Preference, investment funds have dried up, employee job security is dramatically diminished, and companies are reluctant to upgrade equipment, network or operator facilities. All of this comes at a time of national economic instability.

The Commission's tentative conclusion regarding Billed Party Preference was reached prematurely and without consideration of the economic turmoil such a conclusion would cause - even as a *tentative* conclusion. To inject unnecessary economic uncertainty into the telecommunications industry at a time of slow economic growth and high unemployment is unnecessary. It is particularly alarming given the imbalance of the tremendous costs and minimal (if any) benefits attributable to Billed Party Preference. The process of Billed Party Preference must not be allowed to be the result of a political mandate, but should be a consumer response to available products[3] through market pressures and good old American competition.

Conclusion

Clearly, the costs, inefficiencies and inconvenience of Billed Party Preference far outweigh any perceived benefits. Billed Party Preference will reduce market competition, eliminate companies and the jobs they support, and increase the costs of telecommunications services to consumers while providing minimal, if any, benefit to consumers. The Commission should find that Billed Party Preference is not in the public interest and should not be implemented.

Respectfully submitted,

By:____________________________

J. KIRK SMITH
President
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[3]Travel Cards and/or 800 Access.